
FIRST SUPERVISORY NOTICE

To: **Raedex Consortium Ltd**

Reference Number: **668924**

Address: **1 Bell Parade, Glebe Way, West Wickham, BR4 0RH**

Date: **19 February 2021**

1 ACTION

1.1 For the reasons given in this First Supervisory Notice, and pursuant to section 55L(3)(a) of the Financial Services and Markets Act 2000 ("FSMA"), the Financial Conduct Authority ("the FCA") has decided to impose the following requirements (the "Requirements") on Raedex Consortium Ltd ("the Firm") with immediate effect.

- 1) The Firm must not, save to the extent as set out in paragraph 1.2 below, without the prior written consent of the FCA, carry out any regulated activities for which it has Part 4A permission.
- 2) The Firm must not, without the prior written consent of the FCA, in any way dispose of, withdraw, transfer, deal with or diminish the value of any assets it holds or receives, for itself or on behalf of another (whether in the United Kingdom or elsewhere).
- 3) The Firm must as soon as possible, and by no later than close of business on 26 February 2021, notify in writing all consumers and prospective consumers of the imposition and effect of the Requirement set out in paragraph 1.1(1) in a form to be agreed in advance with the FCA.
- 4) By close of business on 22 February 2021, the Firm must display, in a prominent place on all its websites, including www.wheels4sure.com and any other electronic communication channels, such as social media, a notice setting out the terms and effect of the Requirement set out in paragraph 1.1(1) in a form to be agreed in advance with the FCA.

- 5) The Firm must provide written confirmation to the FCA that it is in compliance with these Requirements by close of business on 26 February 2021.
 - 6) The Firm must secure all books and records and preserve all information and systems relating to its business, and must retain these in a form and at a location within the United Kingdom, to be notified to the FCA in writing by close of business on 26 February 2021, such that they can be provided to the FCA, or to a person named by the FCA, promptly on its request.
 - 7) The Firm will remove, or where this is not practicable give instructions for the removal of, any advertising and financial promotions it currently has live, in whatever form they take, by close of business on 26 February 2021.
 - 8) The Firm will use best endeavours to direct the members of the Group to stop all advertising of investments or loans and will confirm to the Authority by close of business on 26 February 2021 the steps it has taken to ensure this.
 - 9) The Firm will use best endeavours to direct the members of the Group not to dispose of, withdraw, transfer, deal with or diminish the value of any assets it holds or receives on behalf of itself or another (whether in the United Kingdom or elsewhere), otherwise than in the ordinary course of business. The Firm will confirm to the Authority by close of business on 26 February 2021 the steps it has taken to ensure this.
- 1.2 The Firm may continue to collect and/or facilitate the collection of pre-existing regular vehicle lease payments.
- 1.3 Paragraph 1.1(2), which is an assets requirement within the meaning of section 55P of FSMA does not apply to monetary payments or the disposal of assets made by the Firm in the ordinary course of business, amounting to no more than £2,000, whether as a single transaction or a combination of related transactions. The requirement in paragraph 1.1(2) also does not apply to:
- 1) Payments of funds to the Firm's suppliers or other third parties in the ordinary course of business and in satisfaction of the Firm's contractual obligations.
 - 2) Usual and proper salary payments made by the Firm.
- 1.4 For the purposes of paragraph 1.3, the following payments would not be regarded as payments made in the ordinary course of business:
- 1) Payments of unusual or significant amounts to the Firm's controllers, shareholders, directors, officers, employees or any connected persons.
 - 2) The making of any capital distribution.
 - 3) The making of any gift or loan by the Firm to any party.
 - 4) Payments made as part of any financial restructuring or reorganisation of its business, or from the sale of any part of the Firm's business (whether share or asset based).
 - 5) Intra-Group payments and payments to/from Paygo.

- 1.5 These Requirements shall take immediate effect and remain in force unless and until varied or cancelled by the FCA (either on the application of the Firm or of the FCA's own volition).

2 REASONS FOR ACTION

Summary

- 2.1 The FCA has concluded, on the basis of the facts and matters described below, that it is necessary to exercise its power under section 55L(3)(a) of FSMA to impose the Requirements on the Firm because it is desirable in order to advance the FCA's operational objective of consumer protection. Furthermore, it appears to the FCA that the Firm is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Condition.
- 2.2 The Firm, using two unregulated subsidiaries, operates an investment scheme which offers returns of up to 11%. Funds invested by consumers are used to purchase vehicles at a discount which are then leased out. Repayments to these consumers are made using the payments of leases from vehicle end-users as well as the sale proceeds of those vehicles at the end of their leases.
- 2.3 The FCA considers that the Firm, and the Group of which it is part, is insolvent on a balance sheet basis. It appears to the FCA that the Firm is unlikely to be able to pay its debts as they fall due.
- 2.4 The FCA considers that imposition of the Requirements should take immediate effect because the matters set out in this First Supervisory Notice demonstrate that the requirements are necessary to protect consumers and also because it appears to the FCA that the Firm is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Condition.

3 DEFINITIONS

- 3.1 The definitions below are used in this First Supervisory Notice:

"Buy 2 Let" means Buy 2 Let Cars Ltd, an unregulated subsidiary of the Firm;

"COND" means the section of the Handbook entitled Threshold Conditions;

"Consumers" means leaseholders and persons who have entered into loan agreements with Buy 2 Let or otherwise invested into the Group;

"FSMA" means the Financial Services and Markets Act 2000;

"the FCA" means the Financial Conduct Authority;

"the Firm" means Raedex Consortium Ltd;

"the Group" means the Firm, Buy 2 Let and Rent 2 Own;

“Handbook” means the FCA’s online handbook of rules and guidance (as in force from time to time);

“Leaseholders” means customers who have leased vehicles from the Firm;

“Prospective leaseholders” means customers who are in the process of leasing vehicles from the Firm, and have not yet entered into a lease;

“Prospective consumers” means prospective leaseholders and persons who are in the process of entering into loan agreements with Buy 2 Let or are otherwise in the process of investing into the Group;

“RDC” means the Regulatory Decisions Committee of the Authority (see further at paragraph 6.2 below);

“Requirements” means the requirements imposed on the Firm by this First Supervisory Notice as set out in paragraph 1 above;

“Rent 2 Own” means Rent 2 Own Ltd, an unregulated subsidiary of the Firm;

“Tribunal” means the Upper Tribunal (Tax and Chancery Chamber).

4 FACTS AND MATTERS

Background

- 4.1 The Firm was incorporated on 15 January 2012 and its business model is to purchase vehicles and lease them out to consumers. The Firm has informed the FCA that it has approximately 1,200 customers and entered into approximately 1,200 leases in the period January 2018 to January 2021. It has been regulated by the FCA since 29 January 2016 and holds the following permissions:
- a. credit broking, limited to broking for consumer hire of a vehicle;
 - b. debt adjusting, limited to relevant credit activities;
 - c. debt counselling, limited to relevant credit activities;
 - d. entering into regulated consumer hire agreements as owner, limited to consumer hire not secured on land; and
 - e. exercising or having the right to exercise the owner’s rights and duties under a regulated consumer hire agreement, limited to consumer hire not secured on land.
- 4.2 Mr Reginald Larry-Cole is SMF29 at the Firm. He is joint Director, together with Mr Scott Andrew Martin.
- 4.3 The Firm is part of a Group. The details of the other entities in the Group are set out below. Mr Larry-Cole and Mr Martin are joint Directors at all the Group entities:

- a. Buy 2 Let Cars Limited ("Buy 2 Let"). It is not regulated by the FCA. The Firm is the majority shareholder of Buy 2 Let.
 - b. Rent 2 Own Cars Limited ("Rent 2 Own"). It is not regulated by the FCA. The Firm and Mr Larry-Cole are joint shareholders of Rent 2 Own.
- 4.4 Mr Larry-Cole and Mr Martin are also joint Directors at Paygo Cars Limited ("Paygo"). Mr Larry-Cole is SMF29 and the majority shareholder at Paygo. This company sells second-hand vehicles, believed to be those that had been previously leased to consumers by the Firm. It is authorised by the FCA (firm reference number 811399) and holds the same permissions as the Firm other than it does not hold the exercising permission described in paragraph 4.1(e) above.
- 4.5 Buy 2 Let seeks loans from investors, which it then passes to the Firm and Rent 2 Own via intercompany loans. Rent 2 Own uses the loans to purchase vehicles that are then licensed to the Firm. The Firm then leases these vehicles out to consumers using the trading name Wheels4Sure.
- 4.6 Buy 2 Let advertises to investors across different media including newspaper, leaflet drops, and outdoor billboards.
- 4.7 Buy 2 Let advertises that since 2012 it has "*consistently delivered returns of between 7 and 11% to every investor with 0% default*". Four different investing levels are offered, with investment amounts ranging from £7,000 to £98,000. Buy 2 Let advertises the highest returns, of up to 11% for those investors investing at "Level 4" at £98,000.
- 4.8 Investors in Buy 2 Let invest their money for three years. They are told that their investment allows Buy 2 Let to arrange for a company within the Group to purchase a new car. Investors are told that Wheels4Sure then leases out the car to a vetted UK driver. The driver makes monthly lease payments to Wheels4Sure. The investor is told that they will be repaid every month for 36 months, as return of capital with no interest. At the end of the 36 months, the driver returns the vehicle. The investor is told that in month 37 they will receive their final exit payment from Buy 2 Let, which consists of "*the remainder of capital and interest element*".
- 4.9 Investors are told that in the event that the driver defaults and the car cannot be leased to another driver, Buy 2 Let will sell the car. After the sale, the amount returned to the investor "*will always be 85% of the amount [the investor] invested, as Buy2LetCars will pay you any shortfall up to this amount*".
- 4.10 The investor's loan agreement states that Buy 2 Let's affiliate company will use the investment to purchase vehicles identified by vehicle registration mark ("VRM") within the agreement. The Firm has informed the FCA that it owns 1,200 cars. The number of charges registered at Companies House across the three entities is 69 vehicles, far below the number of vehicles identified by the Firm.
- 4.11 The FCA has conducted a 10% sampling of the leaseholder list, checking 102 VRMs

on three randomly chosen pages and consulting the public access DVLA database. Through this process the FCA has identified discrepancies between the Firm's business model and the vehicle inventory:

- a. 55 of these cars appear to be second-hand based on their year of entry in service. Although the Firm's business model allows for used cars to be leased, the Firm has informed the FCA that this is a minority of their business. The business model relies to a large extent on securing deep discounts on new vehicles, and such discounts would not be available on second-hand cars;
- b. two vehicles could not be found on the DVLA database;
- c. 18 leases are said to have been entered into at a date which is significantly before the vehicle was put on the road.

Failings and risks identified

Balance Sheet Solvency

- 4.12 The FCA has assessed the unaudited financial statements for the Firm and the Group for the financial year 2020. The Group is not required to file consolidated accounts but the Firm has provided its accounts, and those of Buy 2 Let and Rent 2 Own, for this period directly to FCA.
- 4.13 The Firm considers itself to be solvent. The FCA's review of the financial statements of the Firm, and the Group, has demonstrated that the Firm has assets of £32.52m and liabilities of £31.64m. However, these figures are predicated on the Firm's assets including £19.2m for motor vehicles and £7.5m for goodwill, being the expected earnings over the life of a lease based on monthly payments of £349.
- 4.14 The FCA considers that the Firm's valuation of motor vehicles is unrealistic and that it should be £14.4m, based on an inventory of 1200 vehicles, with a purchase price of £14,000 and expected sale price of £10,000.
- 4.15 The FCA considers that the principal accounting standard FRS102 does not permit the capitalisation of future lease payments as goodwill (goodwill can only arise from business combinations). As such, the FCA considers that the £7.5m classified as goodwill should not be on the balance sheet.
- 4.16 Based on this assessment, the Firm's assets are less than their liabilities, and the Firm is in a position of balance sheet insolvency, with liabilities exceeding its assets.
- 4.17 The Group's consolidated financial position is relevant to an assessment of whether the Firm has Appropriate Resources pursuant to COND 2.4. On a consolidated basis, the Group has maximum assets of £14m and liabilities to investors of £34m. As such it is balance sheet insolvent as its liabilities exceed its assets.

Ability to pay debts as they fall due

- 4.18 The Group made losses of £3.5m in 2018, £5m in 2019 and £2m in 2020. Information provided to the FCA by the Firm shows that the Firm has remaining

liabilities to investors of £26m, which are the funds received from investors over a three-year period. In order to be able to pay these liabilities for 2021, the Firm would require additional funds of £6m. In order for the Firm to be able to pay its liabilities as they fall due over the full three-year period, the Firm would require funds of £14m in 2022 and 2023. As such, it appears to the FCA that the Firm is likely to fail to satisfy the Appropriate Resources Threshold Condition in that it is unlikely to be capable of meeting its debts as they fall due.

Risk

- 4.19 The Group is continuing to market its investment opportunities through a wide range of online and other media and is continuing to seek and take in consumer funds. The FCA considers that the financial position of the Firm and the Group makes the Firm's business model fundamentally unsustainable and places consumers who invest money at direct risk of loss.

5 CONCLUSION

- 5.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

Analysis of failings and risks

- 5.2 The FCA has concluded, in light of the matters set out above, that it appears that the Firm is failing, or is likely to fail, to satisfy the Appropriate Resources Threshold Conditions and that it is necessary to exercise its own-initiative power under section 55L(3)(a) of FSMA by imposing the Requirements to stop the Firm conducting regulated activities.
- 5.3 The FCA considers that the Requirements are a proportionate and appropriate means to address the current and immediate risks, and are desirable in order to advance the FCA's operational objective of consumer protection.

Timing of the Requirements

- 5.4 It is necessary to impose the Requirements on an urgent basis and with immediate effect given the seriousness of the risks and the need to protect consumers.

6 PROCEDURAL MATTERS

Competition Act 1998

- 6.1 In accordance with section 234K of FSMA, the FCA has considered whether it would be more appropriate to proceed under the Competition Act 1998, and is satisfied that it would not be.

Decision-maker

- 6.2 The decision which gave rise to the obligation to give this Notice was made by a Deputy Chair of the RDC. The RDC is a committee of the FCA which takes certain decisions on behalf of the FCA. The members of the RDC are separate to the FCA staff involved in conducting investigations and recommending action against firms and individuals. Further information about the RDC can be found on the FCA's website:

<http://www.fca.org.uk/about/committees/regulatory-decisions-committee-rdc>

- 6.3 This First Supervisory Notice is given under section 55Y(4) and in accordance with section 55Y(5) of FSMA. Sections 393 and 394 of FSMA do not apply to this First Supervisory Notice.
- 6.4 The following statutory rights are important.

Representations

- 6.5 The Firm has the right to make representations to the FCA (whether or not it refers this matter to the Tribunal). The deadline for providing written representations is 9 March 2021 or such later date as may be permitted by the FCA. The address for doing so is:

Jack Williams
Decision-Making Committees Secretariat
The Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
Email: DMCScaseinbox@fca.org.uk

- 6.6 The FCA must be informed in writing of any intention to make oral representations by 9 March 2021. If the FCA is not notified by this date, the Firm will not, other than in exceptional circumstances, be able to make oral representations.

The Tribunal

- 6.7 The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal, which considers references arising from decisions of the FCA. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the Firm has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.
- 6.8 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the Firm and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: Upper Tribunal (Tax and Chancery Chamber), 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9700; email: financeandtaxappeals@hmcts.gsi.gov.uk).

6.9 Further details are contained in "Making a Reference to the Upper Tribunal (Tax and Chancery Chamber)" which is available from the Tribunal website: <http://formfinder.hmctsformfinder.justice.gov.uk/t400-eng.pdf>

6.10 A copy of the reference notice (Form FTC3) must also be sent to the FCA, 12 Endeavour Square, London, E20 1JN at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to the Decision-Making Committees Secretariat at the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.

Confidentiality and publicity

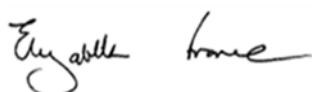
6.11 The Firm should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).

6.12 The Firm should note that section 391(5) of FSMA requires the FCA, when this First Supervisory Notice takes effect (and this First Supervisory Notice takes immediate effect), to publish such information about the matter to which the notice relates as it considers appropriate.

FCA contacts

6.13 For more information concerning this matter generally, contact Andrew Kay, Head of Department, Finance Providers and Platforms (0131 301 2052 and email Andrew.kay@fca.org.uk).

6.14 If the Firm has any questions regarding the procedures of the RDC, it should contact Jack Williams (direct line: 020 7066 1610 / email: Jack.Williams@fca.org.uk).



Elizabeth France
Chair, Regulatory Decisions Committee

Annex

RELEVANT STATUTORY PROVISIONS

1. The FCA's operational objectives established in section 1B of FSMA include securing an appropriate degree of protection for consumers, and protecting and enhancing the integrity of the UK financial system.
2. Section 55L of FSMA allows the FCA to impose a new requirement on an authorised person if it appears to the FCA that the authorised person is failing, or likely to fail to satisfy the Threshold Conditions (section 55L(2)(a)), or it is desirable to exercise the power in order to advance one or more of the FCA's operational objectives (section 55L(2)(c)).
3. Section 55N of FSMA allows a requirement to be imposed under section 55L of FSMA so as to require the person concerned to take specified action (section 55N(1)(a)), or to refrain from taking specified action (section 55N(1)(b)).
4. Section 55P of FSMA allows an assets requirement to be imposed under the FCA's own-initiative power. Pursuant to section 55P(4)(a) of FSMA an assets requirement means a requirement prohibiting the disposal of, or other dealing with, any of the firm's assets (whether in the United Kingdom or elsewhere) or restricting such disposals or dealings.
5. Section 55Y(3) of FSMA allows a requirement to take effect immediately (or on a specified date) if the FCA, having regard to the ground on which it is exercising its own-initiative power, reasonably considers that it is necessary for the requirement to take effect immediately (or on that date).
6. Section 391 of FSMA provides that:

“[...]”
 - (5) When a supervisory notice takes effect, the FCA must publish such information about the matter to which the notice relates as it considers appropriate.
 - (6) But the FCA may not publish information under this section if in its opinion, publication of the information would, be unfair to the person with respect to whom the action was taken or proposed to be taken [or] prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
 - (7) Information is to be published under this section in such manner as the FCA considers appropriate.”

RELEVANT REGULATORY PROVISIONS

The Enforcement Guide

7. The FCA's approach in relation to its enforcement powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.

8. EG 8.1.1 reflects the provisions of section 55L of FSMA by stating that the FCA may use its own-initiative power to impose requirements on an authorised person where, amongst other factors, the person is failing or is likely to fail to satisfy the threshold conditions for which the FCA is responsible (EG 8.1.1(1)), or it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).
9. EG 8.2.1 states that when the FCA considers how it should deal with a concern about a firm, it will have regard to its statutory objectives and the range of regulatory tools that are available to it. It will also have regard to the principle that a restriction imposed on a firm should be proportionate to the objectives the FCA is seeking to achieve (EG 8.2.1(2)).
10. EG 8.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the FCA may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the FCA will seek to agree with a firm those steps the firm must take to address the FCA's concerns. However, where the FCA considers it appropriate to do so, it will exercise its formal powers under section 55L of FSMA to impose a requirement to ensure such requirements are met. This may include where, amongst other factors, the FCA has serious concerns about a firm, or about the way its business is being or has been conducted (EG 8.2.3(1)), or is concerned that the consequences of a firm not taking the desired steps may be serious (EG 8.2.3(2)).
11. EG 8.3.1 states that the FCA may impose a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
12. EG 8.3.2 states that the FCA will consider exercising its own-initiative power as a matter of urgency where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.
13. EG 8.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include one or more of four listed characteristics, these include: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; 2) information indicating that a firm's conduct has put it at risk of being used for the purposes of financial crime, or of being otherwise involved in crime; 3) evidence that the firm has submitted to the FCA inaccurate or misleading information so that the FCA becomes seriously concerned about the firm's ability to meet its regulatory obligations; 4) circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the threshold conditions.
14. EG 8.3.4 states that the FCA will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-

exhaustive list of factors the FCA may consider, these include the extent of loss, or risk of loss to consumers and the financial resources of the firm.

15. EG 8.3.4(9) includes the impact that use of the FCA's own-initiative powers will have on the firm's business and on its customers. The FCA will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives.

Threshold Conditions

16. The COND module of the Handbook sets out the Threshold Conditions, being the minimum standards for becoming and remaining authorised.
17. COND 2.4.1A provides that the resources of a firm must be appropriate in relation to the regulated activities that it carries on. This includes the nature and scale of its business and its membership of a group.
18. COND 2.4.3G states that although it is the firm that is being assessed, the FCA may take into consideration the impact of other members of its group on the adequacy of its resources.